DESCRIPTION OF AMENDMENTS BY CHAIRMAN ROSTENKOWSKI AND MR. DUNCAN TO H.R. 1800 (THE TECHNICAL CORRECTIONS ACT OF 1985) AND H.R. 2110 (TECHNICAL CHANGES TO THE RETIREMENT EQUITY ACT OF 1984)

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CONTENTS

	Page
INTRODUCTION	1
PART ONE: DESCRIPTION OF AMENDMENT TO H.R. 1800, THE TECHNICAL CORRECTIONS ACT OF 1985	2
I. Tax Reforms Generally	2
A. Tax-Exempt Entity Leasing, etc.	2
B. Debt Instruments	3
C. Corporate	3
D. Partnerships	4
E. Accounting	5
F. Straddles	5
G. Depreciation, etc.	5
H. Luxury Automobiles	5
I. Low-Interest Loans	6
II. Foreign Tax Provisions	6
A. Maintaining the Source of U.S. Source Interest Income	6
B. Maintaining the Character of Interest Income	6
C. Related Person Factoring Income	6
D. Repeal of 30-percent Withholding Tax on Portfolio Interest Paid to Foreign Persons	7
E. Withholding on Foreign Investors in U.S. Real Property Interests	7
F. Transfers of Property Outside the United States	7
G. Gains from Sale or Exchange of Stock in Certain Foreign Corporations	7
H. Treatment of Certain Transactions Between Related Parties	8
I. Foreign Sales Corporation	8
III. Life Insurance Provisions	9
IV. Employee Benefit Provisions	10
A. Welfare Benefit Funds	10
B. Qualified Plans	11
C. Fringe Benefits	11
D. Employee Stock Ownership Plans	12
E. Miscellaneous Items Relating to Employee Benefits	13
F. Golden Parachute Provision	13

V. Tax-Exempt Bond Provisions..... 13

A. Mortgage Subsidy Bond and Mortgage Credit Certificate Provisions..... 13
B. Private Activity Bond Provisions..... 14

VI. Miscellaneous Provisions..... 16

A. Domestic Relations..... 16
B. RICs..... 16
C. Demolition Expenses..... 16
D. Section 514..... 16
E. Truck Excise Taxes..... 16
F. Clarification of Eligibility for Drawback of Distilled Spirits Tax..... 17
G. Clerical and Conforming Amendments..... 17

PART TWO: DESCRIPTION OF AMENDMENT TO H.R. 2110, TECHNICAL CHANGES TO THE RETIREMENT EQUITY ACT OF 1984..... 18
A. Amount of Survivor Benefit..... 18
B. Distributions under Qualified Domestic Relations Orders..... 18
C. Application of Domestic Relations Provisions..... 18

INTRODUCTION

This document[1] describes an amendment by Chairman Rostenkowski and Mr. Duncan to H.R. 1800,[2] the Technical Corrections Act of 1985, and to H.R. 2110,[3] which would make technical changes to the Retirement Equity Act of 1984.

This document is prepared in connection with a markup by the Committee on Ways and Means, scheduled for September 27, 1985. The first part is a description of the proposed amendment to H.R. 1800 and the second part is a description of the proposed amendment to H.R. 2110.

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[1] This document may be cited as follows: Joint Committee on Taxation, Description of Amendments by Chairman Rostenkowski and Mr. Duncan to H.R. 1800 (The Technical Corrections Act of 1985) and H.R. 2110 (Technical Changes to the Retirement Equity Act of 1984) (JCX-22-85), September 25, 1985.

[2] For a description of H.R. 1800, see Joint Committee on Taxation, Description of the Technical Corrections Act of 1985 (H.R. 1800 and S. 814) (JCS-7-85), April 4, 1985.

[3] For a description of H.R. 2110, see Joint Committee on Taxation, Description of H.R. 2110 Relating to Technical Changes to the Retirement Equity Act of 1984 (JCS-14-85), May 14, 1985.

PART ONE:
DESCRIPTION OF AMENDMENT TO H.R. 1800, THE TECHNICAL CORRECTIONS ACT OF 1985

The amendment would make the following changes to H.R. 1800.

I. TAX REFORMS GENERALLY

A. Tax-Exempt Entity Leasing, etc.

1. Section 593 organizations.--The rehabilitation credit would be allowed on buildings leased to section 593 organizations (mutual savings banks, etc.) in accordance with rules applicable to buildings leased to tax-exempt entities.

2. Subsidiary organizations.--Taxable subsidiaries of tax-exempt organizations would be treated as tax-exempt organizations, for purposes of applying the tax-exempt leasing partnership rules, unless the parent organization elects to treat amounts received from the subsidiary as subject to the unrelated business tax. This provision would be effective for property placed in service after date of committee action (unless pursuant to a binding contract in effect on that date). A taxpayer could elect to have it apply retroactively.

3. Freddie Mac.--It would be clarified that Freddie Mac would not be treated as a tax-exempt entity.

4. Airplane transitional rule.--The provision in the bill (sec. 102(a)(10)(B)) clarifying that a transitional rule applies only to new airplanes would apply only to property placed in service by the taxpayer after July 18, 1984.

5. Greenville Coliseum.--The amendment would clarify that governmental action that occurred before May 23, 1983, with respect to plans for the Greenville Coliseum also qualifies a successor plan for the coliseum subject to a contract to lease in effect on January 1, 1985.

6. Clemson University.--The amendment would clarify a transitional rule relating to educational facilities that applies to the Continuing Education Building and the related housing facilities.

7. Essex County Court House.--A transitional rule would be provided.

8. Finance leases.--A taxpayer could elect to have the amendment made by Act section 12, deferring the finance lease provisions, apply to agreements entered into after December 31, 1983.

B. Debt Instruments

1. Short term obligations.--The provision in the bill (sec. 102(b)(8)(A)) requiring accrual of interest on certain short term obligations would apply to obligations acquired after date of committee action.

2. Bond premium.--Premium amortized under section 171 would be on the basis of a constant interest rate, for obligations of all persons issued after date of committee action.

3. Capital asset requirement.--The repeal of the capital asset requirement of prior law would not apply to obligations issued on December 31, 1984.

4. Points.--Points on a residential mortgage loan financed by the lender which constitute original issue discount would be accounted for ratably over the life of the loan, rather than on a constant-yield basis. A presumption would be created that, to the extent of any down payment by the borrower, points are not financed unless the loan documents clearly indicate otherwise.

C. Corporate

1. Dividend received deduction.--The provision of the bill (sec. 104(b)(1)) relating to the 45-day holding period requirement under section 246(c) to be eligible for a dividend received deduction would apply only to stock acquired after date of enactment.

2. Tax-exempt RICs.--The provision in the bill (sec. 104(c)) requiring a 6-month holding period in order to be allowed a loss on the sale of stock in a RIC receiving tax-exempt interest would be amended to allow the Secretary to shorten the holding period requirement to the greater of 31 days or the period between the regular distribution of dividends, where the RIC regularly distributes at least 90 percent of its net tax exempt interest.

3. Accumulated earnings tax.--The amendment would provide that no dividend paid deduction would be allowed in the case of a redemption of stock by a mere holding or investment company which is not a RIC. The amendment would apply to distributions after the date of committee action.

4. Affiliated corporations.--

a. The definition of qualified stock purchase under section 338 would be conformed to the definition in section 1504, effective for purchases begun after date of committee action.

b. A parent corporation could elect to have the provision of the 1984 Act apply to taxable years beginning after December 31, 1983.

c. Section 104(d)(6) of the bill would be amended to provide that a DISC or any other corporation that has accumulated DISC income derived after 1984 would be excluded from filing a consolidated return.

d. Section 60(b)(4) (relating to the exception for certain sell-downs) is amended to provide that if there is a letter of intent between a corporation and a securities underwriter entered into on or before June 22, 1984, and the subsequent issuance or sale is effected pursuant to a registration statement filed with the Securities and Exchange Commission, such stock shall be treated as issued or sold pursuant to a registration statement filed with the Securities and Exchange Commission on or before June 22, 1984.

5. Earnings and profits.--The provision in the bill (sec. 104(f)(3)) relating to the treatment of redemptions would apply to redemptions in taxable years beginning after September 30, 1984.

6. Reorganizations.--The amendment would provide that no gain or loss would be recognized to the transferor corporation in a reorganization, without regard to whether boot is distributed pursuant to the plan of reorganization; sections 336 and 337 would not apply in a reorganization, but no gain or loss would be recognized on the transfer stock or securities of a party to the reorganization.

7. Collapsible corporations.--The collapsible corporation provisions would apply to stock held less than 6 months, for sales after date of committee action.

8. Section 304.--The rule in present law treating the basis of stock acquired in a section 304 transaction as a contribution to capital would apply only where the transaction is treated as a property distribution (under sec. 301).

D. Partnerships

1. Distributions of partnership interests.--The Secretary could provide exceptions to the rule in section 761(e) that treats distributions of partnership interests as exchanges.

2. Corporate distributions.--In the case of a nonliquidating distribution of a partnership interest (to

which section 311(d) now applies), gain or loss will be limited to the amount that would be recognized if the partnership interest had been sold at its fair market value (unless, to the extent provided by the Secretary, property was contributed to the partnership to avoid the nonrecognition of loss rules).

3. Related party transactions.--The amendment would provide that the provisions of section 707(b)(1)(A) and 707(b)(2)(A) would apply whether or not the person constructively holding a 50-percent partnership interest was himself a partner. The deferral provisions of section 267(a)(2) would apply to two partnerships in which the same persons hold a 50-percent interest.

E. Accounting

1. Nuclear decommissioning.--The transitional rule relating to nuclear decommissioning expenses (sec. 107(a)(4)(A)(ii)) would be extended to taxable years beginning before 1986, and would be further clarified to take account that the payment was made late.

F. Straddles

The amendment clarifies that the exception for stock in section 1092(d)(3)(A) does not apply to an interest in stock.

G. Depreciation, etc.

1. ACRS-sale-leasebacks, etc.--The provision in the bill (sec. 109(b)) relating to depreciation of property after certain sale-leaseback and related party sales would apply only to property placed in service by the transferee after date of committee action.

2. ITC sale-leasebacks.--The lessor and lessee together may elect out of the special rule in section 48(b)(2) relating to sale-leasebacks.

3. Low-income housing.--A taxpayer may elect 15-year straight line ACRS.

4. Tax-exempt bond financed property.--The amendment would clarify that the bill's provision on ACRS deductions for property financed with tax-exempt bonds does not apply to certain property for which an exception was provided when these ACRS rules were enacted in 1982.

H. Luxury Automobiles

1. Gas guzzler.--The provision in the bill relating to the gas guzzler tax would not apply to any station wagon sold by the manufacturer or producer before July 1, 1990, if the

station wagon is originally equipped with more than 6 seat belts and is a model being produced on the date of enactment of this Act.

2. Definition of listed property.--Except to the extent provided in regulations, listed property used as a means of transportation (within the meaning of 280F(d)(4)(A)(ii)) would not include property substantially all the use of which is in the business of providing unrelated persons services consisting of the transportation of persons or property for hire.

I. Low-Interest Loans

1. Israel bonds.--Bonds issued by Israel would be exempt from the low-interest loan rules if they bear interest at a rate of 4 percent or more, payable annually.

2. Employee loans.--The amendment would provide that nontransferable loans conditioned on the performance of future services would be treated as a demand loan for purposes of section 7872.

II. FOREIGN TAX PROVISIONS

A. Maintaining the Source of U.S. Source Interest Income

The amendment would clarify that the rules maintaining the source of U.S. source income (Code section 904(g)) apply notwithstanding any pre-existing or future U.S. treaty obligation (unless the treaty overrides section 904(g) by specific reference).

B. Maintaining the Character of Interest Income

The provisions that maintain the character of interest income paid by certain foreign corporations would apply to any corporation formed or availed of for purposes of avoiding the rules, effective as of January 1, 1986 (rather than March 28, 1985, the date on which the Technical Corrections Act was introduced).

C. Related Person Factoring Income

Related person factoring income would be treated as interest subject to the separate foreign tax credit limitation for certain interest without regard to the exception contained in Code section 904(d)(3)(I) (formerly 904(d)(3)(J)) for interest from a member of the same affiliated group of corporations.

D. Repeal of 30-percent Withholding Tax on Portfolio Interest Paid to Foreign Persons

In determining whether a recipient of interest is a 10-percent shareholder of the payor and the interest is, therefore, ineligible for the 30-percent tax repeal, the stock ownership attribution rule of Code section 318(a)(3)(C) (like that of Code section 318(a)(2)(C)) would be applied without regard to its 50-percent ownership limitation.

E. Withholding on Foreign Investors in U.S. Real Property Interests

1. Installment sales by domestic partnerships, trusts, and estates.--The amendment would clarify that a domestic partnership, trust, or estate is required to withhold with respect to a foreign partner's or beneficiary's share of the full amount of gain realized on a disposition of a U.S. real property interest, even if the gain is taken into account on the installment basis.

2. Use of multiple entities.--Treasury's regulatory authority to require withholding with respect to real property gains realized through tiers of partnerships or trusts would be clarified.

F. Transfers of Property Outside the United States

The amendment would provide that transfers of stock by domestic corporations to foreign persons pursuant to Code section 355 (or section 356) would give rise to the recognition of gain under Code section 367(e).

G. Gain from Sale or Exchange of Stock in Certain Foreign Corporations

1. Effective date.--Certain changes to Code section 1248 made by the 1984 Act may at taxpayers' election be applied retroactively. The amendment would make that election available until one year after enactment of the Technical Corrections Act.

2. Exception where gain taxable as ordinary income.--The amendment would clarify that, consistent with other exceptions from Code section 1248 dividend treatment for amounts that are otherwise treated as dividends or ordinary income, Code section 1248(g)(2) would apply to exchanges under Code section 356 only to the extent that a shareholder's gain is characterized as dividend income under that section.

H. Treatment of Certain Transactions Between Related Parties

The exception from the disallowance of losses on related party transactions that is provided for sales of inventory to a foreign corporation in the same controlled group of corporations would be expanded to apply to sales within a partnership-corporation group.

I. Foreign Sales Corporations

1. Exchange of information requirements.--An exchange of information agreement between the United States and a foreign country would not under any circumstances qualify for FSC purposes if the agreement provided for nondisclosure of confidential information that was sought for civil tax purposes.

2. Principal bank account.--To satisfy the foreign management requirement for FSC benefits, the principal bank account of a FSC would have to be maintained in a qualifying country or possession at all times during the taxable year. This requirement would be effective for periods after March 28, 1985.

3. Dividends received deduction.--Foreign trade income and qualified interest and carrying charges of a FSC would not be taken into account for purposes of calculating the dividends received deduction under section 245(a) and (b).

4. Treatment of certain qualifying distributions from a DISC.--For purposes of determining whether a distribution by a DISC to a C corporation is made out of accumulated DISC income, other earnings and profits, or previously taxed income, 16/17ths of a distribution that is made to satisfy the export receipts requirement of section 992(a)(1)(A) would be treated in accordance with the rules applicable to qualifying distributions, and 1/17th would be treated in accordance with the rules applicable to other distributions (rather than half and half).

5. Treatment of certain receipts from another FSC.--The exclusion from foreign trading gross receipts of receipts from a related FSC would not apply with respect to receipts from a transfer of property if none of the FSCs in the same controlled group of corporations use the transfer pricing rules of section 925(a)(1) with respect to a transaction involving that property.

6. Treatment of former Export Trade Corporations.--The transition rule permitting Export Trade Corporations (ETCs) to distribute previously untaxed income to their shareholders free of any tax (if the ETC elects either to become a FSC or to discontinue operations as an ETC) would be extended to

former ETCs (if they cannot be, or elect not to be, treated as ETCs for taxable years beginning after December 31, 1984).

7. Accumulated DISC income distributed to cooperative.--A distribution of accumulated DISC income received by a cooperative tax-free under the DISC/FSC transition rules would not be included in the gross income of any member of the cooperative (when distributed as a patronage dividend or otherwise), and no deduction would be allowed to the cooperative by reason of such distribution.

III. LIFE INSURANCE PROVISIONS

1. Acceleration of policyholder dividend deduction.--The reduction in the policyholder dividend deduction for accelerated policyholder dividends not in excess of the 1984 fresh start adjustment would not apply to policies issued after December 31, 1983. A policy issued after December 31, 1983, in exchange for a substantially similar policy issued before January 1, 1984, would not be treated as a policy issued after December 31, 1983.

2. 50 largest stock companies.--the Secretary would be permitted, by regulations, to exclude from the 50 largest stock companies (i) any company whose equity to asset ratio is negative and (ii) if less than two companies have negative equity/asset ratios, up to two companies with the lowest equity/asset ratios if the inclusion of those companies would seriously distort the stock earnings rate.

3. Definition of life insurance.--In the case of any change that reduces future benefits under a life insurance contract, the change would be treated as an exchange of the policy (i) for all changes within the first five years after the policy is issued for which a distribution to the policyholder is required, and (ii) in the case of a change between five and 15 years after the policy is issued, to the extent the cash value before the change exceeds the cash value after the change, if the cash value corridor test is used.

4. Recomputation of differential earnings amount.--Clarify that the recomputed differential earnings amount should not have any effect (i.e., penalty or credit) on liability for estimated tax payments in the taxable year for which the recomputation is made, even though the recomputed differential earnings amount may be unknown until after the end of the taxable year.

Also, clarify in legislative history that the taxable year in which the recomputed differential earnings amount is included in income is the taxable year immediately succeeding

the year for which the recomputation is made, not the taxable year following the year in which the recomputation is made.

5. Indirect distribution.-- Certain non-bona fide loans, made before the date of Committee action, are not treated as indirect distributions from a policyholders surplus account.

6. Annuities which are qualified funding assets.--An exception is provided to the five percent penalty for premature distributions from deferred annuity contracts which are qualified funding assets in a structured settlement.

7. Treatment of contracts not meeting test for life insurance.--Clarify that policyholder dividends are not subtracted twice from the amount of premiums paid, in determining the income on the contract.

8. Effect of 1984 fresh start adjustment on earnings and profits.--Clearly the year for which earnings and profits should be adjusted to reflect the fresh start adjustment.

IV. EMPLOYEE BENEFIT PROVISIONS

A. Welfare Benefit Funds

1. Grandfathered post-retirement life insurance.--The amendment would clarify that, for purposes of the limits on reserves for funded welfare benefit plans, additional reserves for post-retirement life insurance may be accumulated on a deductible basis and will not be subject to tax on unrelated business income to the extent the group-term life insurance benefits are provided to individuals grandfathered under sec. 223 of DEFRA.

2. Application of fund rules to whole life insurance.--The amendment would provide that the definition of a welfare benefit fund does not include amounts held by an insurance company pursuant to a whole life insurance contract on the life of an officer, employee, or person financially interested in the trade or business of an employer.

3. Guaranteed contracts.--The amendment would clarify that the definition of a welfare benefit fund exempts from the definition of a fund, a contract subject to a guaranteed renewal without guarantees as to the level of premiums.

4. Short-term disability.--The legislative history would clarify that deductible reserves may be accumulated for up to 12 months of short-term disability payments.

5. Excise tax on disqualified benefits.--The legislative history of H.R. 1800 would clarify that the

excise tax on disqualified benefits would not apply to welfare benefit plans funded solely by employee contributions.

B. Qualified Plans

1. Effective date for application of distribution rules to tax-sheltered annuities.--The effective date of the provision conforming the required distribution rules for tax-sheltered annuities to the rules for qualified pension plans would be modified to apply to benefits accrued after the closest June 30 or December 31 following the issuance of Treasury regulations under the provisions relating to qualified pension plans.

2. Effective date of rollover restrictions.--The amendment would clarify that key employees who are not 5-percent owners would be permitted to rollover post-1983 distributions to qualified plans.

C. Fringe Benefits

1. Leased section of a department store.--A leased section of a department store that, in connection with the offering of beautician services, makes substantial sales of beauty aids would be treated as engaged in over-the-counter sales of property for purposes of the qualified employee discount rules.

2. Full-time automobile salesperson.--The legislative history of the bill would clarify the definition of what constitutes a full-time sales person.

3. Qualified employee discounts.--The amendment would modify the grandfather rule contained in section 4977 so that it would not be necessary for an employer to have made the discount available to "all employees of the employer" to qualify for the grandfather treatment.

4. No additional cost service.--The legislative history would clarify that certain food service and ticketing affiliates of airlines would be considered to be in the same line of business as the airlines.

5. Automobile testing.--The legislative history would clarify that certain automobile testing programs operated by automobile manufacturers meet the automobile testing standards of sec. 132.

D. Employee Stock Ownership Plans

1. Rollover of gain on sale of stock to an ESOP.--The provision for nonrecognition on rollover of gain from the sale of stock to an ESOP would be amended to test ownership, for purposes of the 30 percent ownership requirement, after application of ownership attribution rules. This amendment would apply to sales after the date of Committee action in taxable years ending after that date.

2. Qualified replacement property.--The amendment would provide that, in the case of the provision limiting qualified replacement property to securities other than securities issued by a government or political subdivision, the period of time for the purchase of qualified replacement property would be extended to the date that is 1 year following the date of Committee action for a taxpayer who acquired securities before that date.

3. Statute of limitations.--The amendment clarifies the statutory period for the assessment of a deficiency where the sale of qualified employer securities to an ESOP is ineligible for nonrecognition treatment because plan assets attributable to such securities are allocated for the benefit of the taxpayer, one of his family members, or a 25 percent owner of any class of outstanding employer securities.

4. Impermissible allocations of securities.--The amendment also provides, if an ESOP acquires qualifying employer securities pursuant to a sale accorded nonrecognition treatment, then the allocation of any such securities for the benefit of the seller, one of the seller's family members, or a 25% owner of any class of outstanding employer securities shall be subject to a tax equal to 50 percent of amount involved.

5. Assumption of estate tax liability.--With respect to the assumption of estate tax liability by an ESOP, the amendment would provide that the prerequisite that an executor of an estate elect to extend the time for payment of the estate tax would apply to the estates of individuals dying after the date of Committee action.

6. Dividend deductions.--The amendment would provide that the Treasury may disallow deductions for dividends paid on stock held by an ESOP, if the dividend constitutes, in substance, the payment of unreasonable compensation.

7. Dividend deductions.--The amendment clarifies that a corporation will be allowed a deduction for dividends paid on stock held by an ESOP whether such dividends are passed through to beneficiaries of plan participants or to the plan participants themselves.

E. Miscellaneous Items Relating to Employee Benefits

1. Accrued vacation pay.--The amendment would clarify the effective date of the DEFRA provisions relating to accrued vacation pay to permit a company retroactively to make an election under sec. 463 with respect to its accrued vacation pay.

2. Section 83(b) election.--The provision in the 1984 Act allowing an extension of time to make certain section 83(b) elections (Act section 556) would apply to all transfers to which section 83 applies made before November 19, 1982 (whether or not made before July 1, 1976) which otherwise meet the requirements of section 556. An election could be made with the first income tax return filed after date of enactment of this Act.

F. Golden Parachute Provision

1. Exemption for closely-held corporations.--The amendment would exempt from the golden parachutes provisions companies with less than 35 shareholders. Companies with more than 35 shareholders which are not publicly traded could exempt themselves from the parachutes provisions by a vote of 75% of the shareholders.

2. Definition of highly-compensated individuals.--The parachutes provisions would only apply to a limited group of highly compensated individuals.

3. Application to qualified plans.--In addition, payments made under qualified retirement plans would not be considered in the defining excess parachutes payments. Several additional technical and conforming amendments would also be made.

V. TAX-EXEMPT BOND PROVISIONS

A. Mortgage Subsidy Bond and Mortgage Credit Certificate Provisions

1. Time for satisfying certain requirements.--The amendment would clarify the date by which certain reporting and State certification requirements for mortgage subsidy bonds and mortgage credit certificates must be satisfied.

2. Advance refunding of certain qualified veterans' mortgage bonds.--The provision in the bill permitting advance refunding of certain qualified veterans' mortgage bonds would be amended to reflect a temporary financing agreement between the affected State agency and the Federal Financing Bank.

B. Private Activity Bond Provisions

1. Allocation of State volume limitation to out-of-State facilities.--The amendment would permit a State to elect to treat rules included in the bill on allocation of State private activity bond volume ceiling to facilities located outside the State as effective on the date of enactment of the 1984 Act (rather than enactment of the bill).

2. Identification required for certain carryforward projects.--The amendment would clarify the authority of the Treasury Department to require specific identification of all projects for which an issuer elects to carryforward bond volume ceiling. For example, in the case of a solid waste disposal facility where the location may be established with reasonable certainty, Treasury could waive the requirement that a specific address be provided. On the other hand, in the case of other facilities such as air or water pollution control facilities that are more specifically identified with a single user, a specific address would appropriately be required when the carryforward election is made.

3. Transitional rules for Federal guarantee rule.--The amendment would provide transitional relief for a convention center the bonds with respect to which the Farmers' Home Administration had provided a Federal guarantee before enactment of the 1984 Act.

Additionally, transitional relief would be provided for bonds (to finance certain solid waste disposal facilities located in Aberdeen and Annapolis, Maryland and Norfolk, Virginia) that benefit from indirect Federal guarantees due to contracts for purchase by the Federal Government of more than an insignificant portion of the output of the facilities. Expenditures with respect to all of these facilities had been made before October 19, 1983.

4. $40 million limitation.--The amendment would clarify that small-issue IDBs issued before 1984 may be refunded to reduce the interest rate on the borrowing even though a beneficiary of the bonds benefits from more than $40 million in tax-exempt financing. Such refundings would be permitted if (i) the maturity of the refunded bonds was not extended; (ii) the amount of the refunding bonds did not exceed the outstanding amount of the refunded bonds; (iii) the interest rate on the refunding bonds was lower than the rate on the refunded bonds; and (iv) the refunded bonds are redeemed not later than 30 days after issuance of the refunding bonds.

5. Clarification of exception to additional IDB arbitrage restrictions.--The amendment would correct an incorrect reference in a transition rule to the 1984 Act to a resource recovery project of Essex County, New Jersey.

The amendment also would clarify the application of an exception in the 1984 Act for refundings of student loan bonds in the case of a series of refundings.

6. Private loan bond restriction.--The amendment would correct an incorrect reference to the volume of nonqualified student loan bonds that may be issued by a State agency under a transition rule to the 1984 Act's private loan bond restriction.

The amendment also would clarify transitional exceptions from the private loan bond restriction for certain bonds for facilities with respect to which a significant portion of the output will be received by nonexempt persons. The transitional exceptions apply to (i) bonds issued before 1985 for the White Pine, Nevada power project; (ii) bonds for the St. Johns River Power Park, Florida, issued before September 26, 1985, and, subject to additional limitations, certain refunding bonds and additional financing issued after that date; (iii) bonds for the Meade-Phoenix power project for which other transitional relief was provided in the 1984 Act; and (iv) up to $27 million of bonds of the City of Baltimore, Maryland, to finance advances made by that city on or before October 19, 1983, pursuant to a voter referendum held before November 3, 1982.

7. Restriction on acquisition of existing property.--The amendment would clarify that bonds issued by the Gulf Coast Waste Disposal Authority are not subject to this restriction and would make other technical amendments to a 1982 provision authorizing issuance of such bonds. Bonds subject to these amendment would be limited as to volume and facilities to be acquired.

8. Transitional rule for certain refunding.--The amendment would permit certain bonds having a maturity date of 40 years that were issued under section 11(b) of the Housing Act of 1937 before December 31, 1983, to be refunded if (i) the maturity date of the refunding bonds did not exceed the maturity date of the refunded obligations, (ii) the amount of the refunding bonds did not exceed the outstanding amount of refunded bonds, and (iii) the interest rate on the refunding bonds was lower than the rate on the refunded bonds.

9. Exception from small-issue IDB principal user rule.--The amendment would provide an exception from the small-issue IDB principal user rules for a hydroelectric generating facility (Hastings, Minnesota) the output from which will be sold to a nongovernmental person pursuant to an agreement in accordance with the Public Utilities Regulatory Policies Act of 1978.

10. Binding contract transition rule.--The amendment would clarify that the binding contract transition rule in Act section 631(c)(3) applies to cases involving the acquisition of property.

VI. MISCELLANEOUS PROVISIONS

A. Domestic Relations

1. Alimony.--Temporary support orders would not be required to specifically state that payments are terminable.

2. Property transfers.--Gain would be recognized on transfers of property to a trust to the extent liabilities exceed the basis of property transferred and in the case of installment obligations.

B. RICs

Failure to keep proper records of shareholders would not result in disqualification of a RIC, since personal holding companies can now qualify as RICs.

C. Demolition Expenses

The denial of demolition expenses would not apply where the construction of the replacement building on the same site had begun before July 18, 1984.

D. Section 514

The Secretary may treat the qualified allocation rule of section 514(c)(9)(B)(vi)(II) as met where the partnership demonstrates to the satisfaction of the Secretary that there is no potential for tax avoidance.

E. Truck Excise Taxes

Recapture of the benefit of the reduced excise tax rate on a piggyback trailer would not apply 6 years after the first retail sale of the trailer.

F. Clarification of Eligibility for Drawback of Distilled Spirits Tax

The amendment would clarify that Puerto Rican distillers may be treated as U.S. persons for purposes of claiming a drawback of tax paid on medicinal alcohol produced by them that is subject to U.S. tax. The drawback would be available to these distillers under the same circumstances as U.S. distillers may claim the drawback.

G. Clerical and Conforming Amendments

Numerous minor clerical and conforming amendments would be made.

PART TWO:
DESCRIPTION OF AMENDMENT TO H.R. 2110, TECHNICAL CHANGES TO THE RETIREMENT EQUITY ACT OF 1984

The amendment would make the following changes to H.R. 2110.

A. Amount of Survivor Benefit

The amendment would provide that the survivor benefit to which a surviving spouse is entitled equals 50 percent of the vested account balance.

B. Distributions under Qualified Domestic Relations Orders

The proposed amendment to the domestic relations provisions would permit distribution to a former spouse of (A) any payable after the participant's attainment of early retirement age, and (B) any QDRO valued at less than $3,500 payable prior to such date.

C. Application of Domestic Relations Provisions

The amendment would clarify that the domestic relations provisions of the Retirement Equity Act do not apply to government plans.